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PENSION REFORM FOR WOMEN

A Discussion Paper by
the Canadian Advisory Council
on the Status of Women

December 1981

**Canadian Advisory Council
on the Status of Women**

Box 1541 Station B, Ottawa K1P 5R5

**Conseil consultatif canadien
de la situation de la femme**

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	<u>Page</u>
INTRODUCTION	1
PRINCIPLES OF PENSION REFORM	2
MAIN AREAS OF POSSIBLE REFORM	2
A. Adequate Work-Related Pensions for All Female Workers	2
1) Better Pensions for Workers in the Labour Market	3
2) Integration of Homemakers in the Canada/Quebec Pension Plan	5
3) Reform of Employer-Sponsored Pension Plans	8
B. Elimination of Sex Discrimination from Retirement Benefits	11
C. Equalization of the Pension Entitlements of the Spouses	12
1) In Ongoing Unions	13
2) Upon Divorce	13
3) On Death	14
D. Guaranteed Above-Poverty Minimum Pensions	16
1) At Age 65 and Over	17
2) Between the Ages of 60 and 65	18
3) For Immigrant Women	18





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INTRODUCTION

Most people agree that the present Canadian pension system is inadequate and unfair to women. Here are some reasons why:

1. The federal minimum guaranteed income of spouseless people aged 65 and over, most of whom are widows, is more than \$100 a month lower than Statistics Canada's poverty line for large urban centres. As a result, 59.5% of unmarried women aged 65 and over were living in poverty in 1979 (the last year for which this information is available).
2. The percentage of previous income which the present pension system replaces is too low in most cases, with the result that very few people can maintain the same standard of living after retirement. The drop is particularly drastic for widows, whose pensions typically amount to less than 30% of the couple's previous income.
3. Our earnings-related pension system greatly widens the gap between the pensions of male and female pensioners. It does this by ignoring women's work in the home, by punishing mothers who spend most of their lives in the labour market but stop for a few years to take care of their young children, and by giving benefits that perfectly mirror the discriminatory wages women get in the workforce.
4. Canada's pensions are unfair because they fail to recognize the equality of the wife's contribution to the marriage. This is most obvious when one of the spouses dies: widowers usually continue to receive full pensions, while most widows get only 60% from the Canada/Quebec Pension Plan and nothing at all from their husbands' employer-sponsored pension plans.
5. Finally, a pension system such as ours, which still assumes that a woman is mainly protected through being her husband's dependent, and through widows' benefits when he dies, is clearly inadequate in a world where one marriage out of three will end in divorce, and where it will be common for a man to have had two or three wives during the course of his life.

PRINCIPLES OF PENSION REFORM

The Canadian Advisory Council on the Status of Women believes that pension reform should be based on two fundamental principles:

1. All persons regardless of sex and/or marital status are equal.
2. All senior citizens have a right to live with dignity.

In order to achieve these principles, pension reform should recognize the following:

1. Canadians who work, including those who work in their home, should have access to adequate work-related pensions in their own right and not as the dependent of another person.
2. Sex discrimination should be eliminated from pension contributions and/or benefits.
3. The equal contribution of the spouses to the marriage partnership should be recognized by the pension system.
4. All senior citizens, whatever their previous lifestyles, should be entitled to minimum guaranteed incomes at least equal to Statistics Canada's poverty lines.

MAIN AREAS OF POSSIBLE REFORM

A. Adequate Work-Related Pensions for All Female Workers

At the present time, very few Canadian workers of either sex become entitled to pension benefits high enough to maintain their previous standard of living. This is because:

1. Canada/Quebec Pension Plan retirement benefits are very low: 25% of a person's average earnings up to a maximum of \$308 a month in 1982. Maximum widows' benefits are even lower.
2. Few paid workers participate in employer-sponsored pension plans (about half the men and a third of the women), and those who do are not guaranteed to receive any retirement benefits from them and are unlikely to entitle their surviving spouses to anything.
3. Women who work in their homes for their families are not entitled to participate in work-related pension plans. (The one exception is the "child-rearing drop-out" provision of the Quebec Pension Plan, which is discussed later in this text.)

The two main questions are:

1. What is the best way of increasing the pension benefits of the men and women who spend most of their lives in the labour market?
2. Is it possible to integrate homemakers in work-related pension plans?

1) Better Pensions for Workers in the Labour Market

Two main proposals have been made to improve the pensions of labour force participants. One consists of expanding the Canada/Quebec Pension Plan so that it would pay a larger percentage of earnings, 50% instead of 25%, for example. The other would make it mandatory for all paid workers and their employers to contribute to some form of private pension system that would have no link with the government.

Among the proponents of mandatory private pensions are life insurance companies and other financial institutions which administer the funds placed in the more than 15,000 private pension plans presently in existence in Canada. Their main argument is that private pensions are better for the Canadian economy.

However, others point out that whatever is done under a private pension system (such as setting aside the money in advance to pay its future benefits, or investing its funds in private enterprise) can be achieved just as easily under the Canada/Quebec Pension Plan if it were found to be desirable.

Labour unions, consumer associations and others favour an expanded Canada/Quebec Pension Plan. They argue that this option is much better since the C/QPP, unlike private pension plans, offers immediate and irrevocable rights to a future pension based on both the employee and employer contributions, full and easy transferability of pension credits from one job to another, universal coverage of all earners, surviving spouses' pensions and full protection of all benefits against rises in the cost of living. In addition, an expanded C/QPP could start paying larger benefits very soon, while mandatory private pension plans would be unable to provide full pensions until 30 to 40 years after their introduction.

Some of these factors are even more critical for women than men. One example is full transferability which women need more than men because they change jobs more often. Another is full protection of benefits against inflation which is more important for women because they live longer on average than men.

The expansion of the Canada/Quebec Pension Plan also appears to be preferable for women because:

- a) The C/QPP is the system that can more easily subsidize the pension costs of low-income workers, through measures such as the Basic Exemption, for example. Most female earners are in that category.
- b) An expanded C/QPP would lend itself more readily to the equalization of the pension credits of the spouses in recognition of their equal contribution to the marriage partnership. This would be more difficult to achieve in private pension plans, because they are regulated by thirteen different governments across Canada.
- c) Only the Canada/Quebec Pension Plan can take into account women's work in the home, either through measures such as the child-care "drop-out"

provision which excludes from the pension calculation the years spent at home with a young child, or by the direct integration of homemakers in the C/QPP.

2) Integration of Homemakers in the Canada/Quebec Pension Plan

Currently when "pensions for housewives" are discussed, a distinction is very often made between two categories of homemakers. The first, described as "women of the future", are those who spend most of their lives holding full-time paid jobs, stopping only for a few years to take care of their young children. The others are those women whose main task in life, by choice or by necessity, consists of staying home to care for their husbands and children.

Occasional Homemakers

In the case of the first group of women, who can be called "occasional homemakers", an almost universal consensus has been reached in favour of a special "drop-out" provision to be incorporated in the Canada Pension Plan. This would leave out of the calculation of participants' average earnings (on which their pension is based) the years spent at home with a child or children aged less than 7. This is already in force in the Quebec Pension Plan, but it cannot be implemented in the rest of Canada because of Ontario's veto.

The rationale for the "child-rearing drop-out" provision is that people who take care of pre-school children should not be penalized for performing tasks which benefit all of society. Its effect is to allow many homemakers to participate in the C/QPP and to fully subsidize them for doing so. The cost of this subsidy is spread over all other C/QPP participants.

It has also been suggested by many that the "child-rearing drop-out" period be broadened to include the years spent at home taking care of severely disabled children or spouses who would otherwise have to be institutionalized.

Full-Time Homemakers

While many women support and welcome such a broad "family care drop-out" period, they are nevertheless aware that it would not ensure adequate personal pension coverage to all homemakers. It would not help those who were never in the labour market, nor would it do much for homemakers who never returned to full-time employment after their children started school or left home.

According to opinion polls, the vast majority of Canadian women believe that this other group of homemakers should also be integrated in the C/QPP. Some of the reasons advanced in support of this position are:

- a) It is illogical to subsidize the C/QPP participation of "occasional homemakers" while excluding other homemakers who perform exactly the same child-rearing work.
- b) Homemaking for one's husband is no less work than homemaking (or waitressing, or cooking) for somebody else, and should entitle one to appropriate pension benefits.
- c) Many women, especially in the Atlantic provinces and in rural areas, have no choice but to work inside their home.
- d) Including these homemakers in the C/QPP would make it fairer by reducing the need for widows' pensions, which give fully subsidized benefits based on the husband's income, and therefore pay out most to those homemakers who need it least.

How can full-time homemakers participate in the C/QPP? Some have proposed that the government allow voluntary contributions to the C/QPP by the housewives who can afford it. However, the many European countries which have tried this system report that only minuscule numbers of better-off, better informed housewives were able or willing to participate on that basis. Another serious drawback is that since most housewives have no money of their own, they would have no recourse if their husbands refused to give them the funds required to make

such contributions.

An alternative would be to establish a fair system that would protect the vast majority of full-time homemakers. This could be done by implementing the following measures:

- a) For full-time homemakers who are taking care of pre-school children or disabled relatives: integration in the C/QPP on the basis of a hypothetical income equal to half the average industrial wage. (This means about \$9,000 in 1981, which is above the minimum wage. That amount was chosen because it is high enough to be worthwhile, but low enough that homemakers would not receive higher pensions than most women who hold full-time paid jobs). As the work of these women benefits all of society, they should be exempted from having to make any contributions. The cost of their participation could be paid either by increasing the contributions of other plan members or by using funds from general tax revenues.
- b) For other full-time homemakers, who make up the largest group and are typically older women whose children have left home: integration in the C/QPP on the basis of a hypothetical income equal to half the average industrial wage, but with full contributions payable by the husbands, who are the main beneficiaries of these women's unpaid services.

These contributions by husbands could be mandatory in all cases. Another option would be to require that they be paid by anyone who wants to claim a tax deduction for a dependent spouse (or a similar deduction for other relatives performing the same homemaking role). If the husband was earning too little to get any advantage from the deduction for a dependent spouse, he could be given a special refundable tax credit to pay the homemaker's pension contribution.

- c) For women who hold part-time jobs while taking care of young children and/or disabled family members: these homemakers should continue to contribute to the C/QPP on the basis of their own earnings, but be given pension credits up to half the average industrial wage. This would

recognize the reduction in their earnings which is caused by their family responsibilities.

3) Reform of Employer-Sponsored Pension Plans

Although expanding the C/QPP and opening it up to homemakers would give adequate pension protection to most Canadian women, there is a small group which would still be dissatisfied. They are the few women with higher-than-average earnings who would be willing to pay larger contributions in exchange for supplementary retirement benefits.

The system best suited to satisfy this need for additional pension income is employer-sponsored pension plans. To do this efficiently, however, these plans need to be considerably improved, which is a major enterprise since there were no less than 15,095 of them in Canada in 1978, falling under the jurisdiction of thirteen different governments.

The main aspects of employer-sponsored pension plans which must be reformed are: a) their "vesting" provisions, which are the rules determining when pension rights become irrevocable; b) their "portability", meaning their capacity to be transferred from one employer to another; c) the protection of their benefits against increases in the cost of living; and d) the provision of adequate benefits to surviving spouses.

a) Vesting

At the present time, most employer-sponsored pension plans follow the "45 and 10" rule, which is the minimum vesting standard required by the law of many provinces. According to that rule, pension rights become irrevocable when a worker is 45 years old or more and has been with the same employer for at least ten years.

It is now generally recognized that this standard is sadly inadequate in these days of high labour mobility. The situation of women is even worse because they leave their jobs more often than men.

From the point of view of female earners, whose labour force participation rate is highest in their twenties and diminishes thereafter, the best vesting

requirement is the shortest. They might therefore wish to support the recommendation of the Senate Committee on Retirement Age Policies, which proposed that pension laws be changed to make vesting mandatory after one year of service with the same employer, whatever the age of the employee. (This presumes that the value of the vested pension credits increases with rises in the cost of living. Otherwise, short vesting might worsen the situation by locking in depreciating funds which could have been profitably invested elsewhere.)

b) Portability

The question of making pensions transferable from one employer to another, or from an employer to a central pension depository, raises serious difficulties. One problem is that you can't have a job-to-job transfer system unless all employers have pension plans, which is certainly not the case at the present time. Another is that it can be difficult to assign a precise value to future pension rights.

It has been suggested that the valuation problem be solved through widespread use of "money purchase" - type pension plans, which now cover only 5% of participants in employer-sponsored plans. This is not acceptable, however, because even though these plans are simple and easy to evaluate, they produce unpredictable retirement benefits which are not protected against the ravages of inflation.

A better way of solving the portability problem consists of having very short vesting periods and of retaining the vested pension credits of ex-employees in their original plans. If this were done, there would still be a need for a central registry, but only to keep track of workers' pension credits and ensure that the appropriate benefits are paid out when they reach retirement age.

The other aspect of portability that is of particular concern to highly-mobile workers such as women is the amount of contributions reimbursed to employees who leave a job before having acquired vested rights to a future pension. A very common practice is to reimburse the employee's own contribution with very little interest. Instead, it has been suggested that: i) the employee who leaves be given not only her/his own pension payments, but a reasonable share of employer contributions as well; and ii) the interest rate paid out on these sums be at least as

high as that actually earned by the pension fund.

c) Protection Against Inflation

With the exception of public service plans, employer-sponsored plans are notoriously bad in protecting their members against the effect of inflation. While the majority are quite effective at compensating for increases in the cost of living occurring during their participants' work-lives (by using their "best" or "final" earnings to calculate pensions, for example), almost none protect the benefits of those who are already retired, or update the deferred pension entitlements of former employees.

As a result, even workers who contribute to employer-sponsored pension plans all their lives and earn vested rights to future pensions from all their employers can still end up with pitifully small benefits at retirement time. From then on, their position quickly deteriorates as their purchasing power decreases year by year at the rate of inflation. Since women live longer on average, they are the ones who suffer most from this terrible deterioration.

To reduce this problem it has been suggested that pension plans take better advantage of the fact that interest rates tend to rise along with the cost of living. Instead of continuing to allow employers to use the inflationary interest earned by their pension funds to reduce their own contributions, pension laws could be changed to make it mandatory to use these inflationary bonus sums to update deferred pension rights and increase pensioners' benefits.

d) Benefits for Surviving Spouses

In 1978, only 44% of participants in employer-sponsored pension plans belonged to plans that gave pensions (usually amounting to 50% of the deceased's entitlement) to surviving spouses. Of this group, almost three out of four worked for some level of government.

This poses problems for women with higher-than-average earnings who support their spouses, but even more for the homemaking wives of upper-income

men. Having become accustomed to a certain standard of living when their husbands were alive, these women would suffer a considerable change in lifestyle if they had to manage on C/QPP benefits.

The solution which has been widely proposed is that private pension laws be changed to make it mandatory for all pension schemes to offer a "joint and survivor" option to their employees. This feature - which usually works by reducing a married worker's own retirement benefit in order to provide a survivorship pension of at least 50% to the other spouse - would apply automatically unless it had been renounced by both the employee and his/her spouse. Some people insist that no such renunciation be valid unless it is preceded by independent legal advice, attested to by a certificate to that effect.

Even if these changes were made, however, widows would still receive much smaller benefits than widowers. This is because the employee-spouse almost always continues to collect the same pension after the other spouse dies, while the non-employee spouse who survives must make do on a drastically reduced amount.

This could be corrected by requiring by law that there be no differentiation in the pensions to the surviving spouse whichever spouse dies first.

B. Elimination of Sex Discrimination from Retirement Benefits

Discrimination by reason of sex is quite rare and getting rarer in Canadian pension plans. The Canada and Quebec Pension Plans no longer distinguish between male and female contributors and beneficiaries, nor do most of our larger and more important employer-sponsored pension schemes. The most common differences between the sexes to be found in these plans, such as men's higher benefits, women's less numerous surviving spouses and men's greater likelihood of retiring early with full pensions, are due to job and lifestyle circumstances rather than specific distinctions by sex.

The main exception to this is "money purchase" types of pension plans, which include 5% of participants in employer-sponsored schemes. Under these plans, employers and workers both contribute a fixed percentage of the latter's salary to

a fund that accumulates until retirement time, at which point the money is used to buy a pension (called a "life annuity" in this case) from an insurance company. Because women live longer than men on average, insurance companies charge women more for the same pension benefits, or else give women lower pensions for the same amount.

Although this appears reasonable at first glance, it does not withstand sustained analysis. For one thing, fully 80% of male and female pensioners of the same age can expect to have the exact same year of death. To charge all women more for pensions therefore amounts to penalizing the majority of them unfairly for the higher annuity costs of a very small percentage of their group.

Another eloquent argument against using separate rates (or mortality tables) for men and women is the complete lack of consistency of the position of the insurance industry in that regard. While insisting that sex must be maintained as a separate criterion because of its great influence on costs, it chooses to ignore equally important factors such as race and socioeconomic status. Furthermore, it has even vigorously fought against using separate tables and rates for people of different marital status in spite of the fact that being married demonstrably adds to costs (through the provision of survivors' benefits, for example), by arguing that in that case more important considerations of "social relevance" and "social responsibility" had to be taken into account.

In the United States, the Supreme Court has judged that giving lower pension benefits to women is unjustifiably discriminatory because it attributes to an individual woman a characteristic (longevity) which is only true of women as a group. As there is no way of knowing whether any particular woman will live longer than the average man, the judgment implied, it would be reasonable to adopt laws making it mandatory to use unisex mortality tables in all pension and life insurance plans.

C. Equalization of the Pension Entitlements of the Spouses

While integrating the work of homemakers in the C/QPP would give it public recognition, a second step would still be needed to recognize the equality of

women's contribution to the marriage partnership. This could be achieved through the equalization of the pension credits of husbands and wives for the years they lived together.

At first, the easiest way to accomplish this would seem to be through the splitting of C/QPP credits between the spouses on a continuous basis almost as soon as they are acquired. This could not work, however, because it would cause serious difficulties to families with only one breadwinner: the earner's disability coverage would be drastically reduced, and couples where the earner is the older spouse would have to live on a truncated pension for a while until the younger spouse also reached the age of 65.

Instead of one simple formula then, we must consider different solutions for various circumstances: 1) when the marriage lasts until retirement and beyond; 2) when the marriage ends in divorce; and 3) when the marriage ends in death.

1) Equalization of Pensions Between the Spouses in Ongoing Unions

Some people oppose the sharing of pension credits between the spouses by saying that it is unnecessary because most husbands share everything with their wives anyway. Others are not so convinced that the vast majority of Canadian husbands are so generous. To make sure that women's contribution to the marriage is truly recognized, they say, we should simply give a fair share of the couple's C/QPP entitlement to each of the spouses.

While no evidence exists to settle this debate, it can be argued that giving each spouse an equal share of the pension credits they earned during their life together is the most equitable and the safer course. The simplest way to do this would be to equalize the C/QPP credits of the spouses only once, when the younger of them reaches the age of 65.

2) Equalization of Pensions Between the Spouses Upon Divorce

Although both the Canada and Quebec Pension Plans were amended a few years ago to provide for the splitting of pension credits at the time of a divorce

upon application by one of the (ex-)spouses, recent surveys indicate that less than 1% of those who are eligible avail themselves of this opportunity. The main cause of this abysmally low take-up rate appears to be that most divorcing women need money immediately and are therefore very likely to accept a small amount of cash in exchange for a hypothetical partial pension payable in thirty or forty years.

Amendments to the C/QPP acts requiring that the splitting of C/QPP pension credits on divorce be mandatory, automatic and not subject to renunciation would be in the best long-term interest of women.

Similarly, it would certainly be fairer to women if employer-sponsored pension credits and Registered Retirement Savings Plans (RRSPs) were shared equally between the spouses upon marriage breakdown. As most provinces do not include these items among the assets to be divided equally between the spouses on separation or divorce, many changes in provincial matrimonial property and pension laws are necessary to bring this about.

3) Equalization of Pensions Between the Spouses on Death

At the present time, no equalization of pension rights or benefits between the spouses takes place when one of them dies. Instead, surviving spouses may be entitled to special C/QPP pensions if they meet a few quite arbitrary and sometimes unjust conditions. For example: 45-year-old businessmen are eligible to receive full benefits, but unemployable 40-year-old homemakers are not; deserted wives, even if they are disabled, elderly or have young children, are often disentitled completely; common-law spouses may collect, but only if they lied to their neighbours about their marital status.

These are not accidental irregularities which can be easily corrected, but rather the direct consequence of trying to keep old concepts (the dependency of married women) while adopting new contradictory ones (the right of male survivors to equal benefits) and ignoring the changes which don't fit (one marriage out of three ending in divorce). As many American and European studies have concluded, the only solution is to abandon the system of widows' pensions based on the principle of dependency, and devise an entirely new system providing adequate personal benefits to most widows.

Abolishing widows' pensions is easier said than done, however, because widows are not a homogeneous group. They include:

- a) Women Widowed After the Age of 65. If, as already discussed, these women received good pensions based on their own work (inside and outside the home) and also benefitted from the equalization of their own and their husband's C/QPP credits when the younger of them turned 65, most of them would receive adequate benefits and would not need additional widows' pensions. Some widows would also get payments from their husbands' employer-sponsored pension plans.
- b) Employed Childless Widows Aged Less Than 65. These women are presumably self-supporting and do not need a pension until they reach the age of 65. At the present time, therefore, many of them must be receiving a C/QPP pension they do not need (as do many widowers in the same situation). Disagreeable as it may be to some, the abandonment of the concept of married women as dependents is going to entail the disappearance of such superfluous benefits in the future. Instead, the widow could be given the option of equalizing her C/QPP pension credits with those of her husband, which would probably entitle her to larger benefits when she reaches retirement age.

To ensure that no-one suffers from the abandonment of the present dependency system, it should be stipulated that people of a certain age (say, 35) and over when these reforms are introduced would still come under the old rules whenever these are advantageous to them.

- c) Unemployable Widows Aged 50 to 65. If widows' benefits were abolished, this group of women would obviously need some other form of assistance. Other women in similar circumstances are ex-wives aged 50 to 65 who were dependent on support payments from their deceased ex-husbands.

In these cases, two alternative proposals are: i) to give these women C/QPP widows' benefits that diminish as their earnings from work increase; or ii) to create a new type of C/QPP disability benefit that would give

"unemployment pensions" to all participants aged 50 to 65 who are unemployable, including former homemakers whose jobs disappeared following death or a divorce.

As in the previous case, women who were brought up under the dependency assumption should still come under the old rules whenever these are advantageous to them.

- d) Disabled Widows Aged Less Than 65. As these women were truly dependent on their husbands, there should be no objection to their continuing to receive traditional benefits for surviving spouses. As these benefits are now inadequate, however, they should be set at a level high enough to provide at least poverty-level incomes to the widows of full-time minimum wage workers.
- e) Younger Widows With Dependent Children. The most interesting recommendations regarding this group have been made by the Quebec government's Cofirentes study. Instead of providing very low payments until children reach the age of 18 (or 25 if they are students), as the present system does, the study recommends higher pensions for a shorter period of time. It would allow widows with pre-school children to stay home with them if they wished, and would give all widows with children the necessary breathing time to look over the options before deciding what to do next.
- f) Common-law "Widows". The present C/QPP rules, which require that a common-law wife be "publicly represented" as a legitimate spouse to become entitled to widows' benefits, must be changed as soon as possible. Instead, it would be simpler to say that couples who live together for a specific number of years in a marriage-like relationship should be treated as legitimate spouses for all purposes, including the splitting of C/QPP pension credits between them when they part.

D. Guaranteed Above-Poverty Minimum Pensions

Even if Canada's work-related pension plans were very good and covered all

workers, there would still be people with too-low incomes in old age because illness, low wages, prolonged unemployment or other reasons prevented them from qualifying for adequate benefits. As women live longer on average, are paid less and suffer more from unemployment than men, the prime target of government programs for destitute seniors would still continue to be the female elderly.

To understand the situation of elderly Canadians whose incomes are below the poverty line, it is necessary to do a brief review of the present programs.

The federal Old Age Security pension (or old age pension, or OAS) amounts to \$228 a month between January and April 1982. It is paid out to all applicants aged 65 and over who meet the residence requirement, whatever their incomes.

As this is insufficient to support an elderly person, the federal government also offers supplementary benefits - reaching a maximum of \$229 a month for spouseless people and \$353 for couples - to seniors who have little or no income other than the OAS. These supplements are the Guaranteed Income Supplement (GIS), given to old age pensioners with very low incomes, and the Spouse's Allowance, for the 60-to-65-year-old spouses of low-income pensioners.

Under these programs, there are three main groups of people aged 60 and over who do not have access to minimum guaranteed incomes at least equal to the poverty line. They are: 1) spouseless pensioners aged 65 and over; 2) people aged 60 to 65 who are not spouses of old-age pensioners; and 3) those who immigrate to Canada after July 1, 1977.

1) At Age 65 and Over

Until the last increase in the GIS which took place in mid-1980, neither married nor spouseless elderly people had access to minimum guaranteed incomes equal to Statistics Canada's poverty lines. Since that rise in benefits, however, most couples now receive minimally adequate OAS-GIS pensions while unmarried pensioners - who are widows for the most part - still do not.

The two possible ways of increasing the minimum benefits of unmarried people aged 65 and over to the poverty level are to raise the GIS rate for spouseless individuals or to increase the Old Age Security pension. While increasing the universal OAS is theoretically more attractive in that it lacks the implication of charity, proposals to raise the GIS are much more likely to succeed politically because of their considerably lower cost.

2) Between the Ages of 60 and 65

The Spouse's Allowance is paid to low-income persons aged 60 to 64 who are married to old-age pensioners. In addition, since 1979 the Allowance continues to be paid in cases where the older spouse (usually the husband) dies before the younger spouse reaches the age of 65 and qualifies for a pension in her own right.

Problems posed by the Spouse's Allowance are that: a) it is a discriminatory benefit which wrongly assumes that needy people aged 60 to 65 who are married to pensioners are somehow more deserving than other poor people of the same age; and b) it creates absurd situations, such as the granting of a pension to a 63-year-old widow while it is being denied to her neighbour of the same age who lives in identical circumstances.

Solutions which have been proposed to solve this discrimination include:

- a) The abolition of the Spouse's Allowance and its replacement by another income-tested federal program that would give benefits at least equal to Statistics Canada's poverty lines to all poor people aged 60 to 65, whatever their marital status. Or,
- b) The outright abolition of the Spouse's Allowance, which would "cure" the discrimination problem by reducing all poor people aged 60 to 65, whatever their marital status, to living on provincial welfare benefits.

3) For Immigrant Women

Since July 1977, new immigrants to Canada must have lived here for 40 years (instead of ten) to qualify for a full Old Age Security pension at the age of 65.

Although the stated objective of this change was to benefit immigrants by helping them to collect pensions from their countries of origin, its result was in fact very negative because:

- a) Of the 50,000 to 75,000 female immigrants who come to Canada each year, extremely few qualify for pensions from their countries of origin. This is because Canada and the Scandinavian countries are unique in having OAS-style universal pensions that are not related to previous earnings. Housewives from most other nations are therefore not entitled to pensions in their own right at the age of 65.
- b) Most immigrants to Canada, both male and female, now come from Third World countries where there are no government pensions of any kind.

As a result, unless we change our new, more restrictive OAS rules, we will soon find ourselves with a mainly female, mainly Third World sub-class of senior citizens in Canada.

Two proposals have been put forward to correct this situation: a) re-establishing the old rule entitling people to full OAS pensions after ten years in Canada immediately before the age of 65; or b) guaranteeing the equivalent of a full OAS-GIS pension to low-income seniors who have been here for more than ten but less than 40 years.

